



Announcements

March 17, 2009

Government audit information from the SD Department of Legislative Audit

TRAFFIC VIOLATIONS AND MUNICIPAL ORDINANCE VIOLATIONS

At last year's Government Audit Workshop we presented a concurrent session together with the Attorney General's office at which we discussed state compliance issues related to traffic violations and municipal ordinance violations.

One of the compliance issues that we addressed concerned whether a Municipality must write traffic citations as violations of state law when the offense occurs on a state highway within the municipal limits or whether the Municipality may write such citations as municipal ordinance violations. At the concurrent session, representatives of the Attorney General's office informed you that they believed such citations should be written as violations of state law. Additionally, we advised that you consider this matter and judge whether an audit finding might be appropriate in situations where such citations were written as violations of municipal ordinance.

You should be aware that the municipalities and the Attorney General's office have mutually agreed to seek a declaratory ruling from the court on whether such citations should be written as violations of state law or as municipal ordinance violations. The complaint was filed in Moody County in early March. It might be several months or even into 2010 before the court issues its ruling on this matter. Consequently, you should consider the fact that this matter is being litigated in judging whether audit findings are appropriate concerning this issue until we have an answer from the court. We will keep you advised of any developments regarding the court case.

You will recall that there were other compliance matters concerning the administration and collection of fines and costs associated with traffic violations and municipal ordinance violations that we addressed during our concurrent session last year. You can find details on these other compliance matters in the handout from last year's concurrent session. These other compliance matters are not in dispute and consequently are not part of the scope of the declaratory ruling being sought. Consequently your judgment concerning audit findings related to those matters should be unaffected.

If you have questions regarding this issue, please contact Marty Guindon at 773-3595 or Russ Olson at 688-6463.

35th ANNUAL GOVERNMENT AUDIT WORKSHOP

The 35th Annual DLA Government Audit Workshop is scheduled for May 18 19 and 20, 2009 at the Ramkota River Centre Convention Center in Pierre. Registration materials follow. Our speaker is Greg Allison from the UNC School of Government. Greg was the assistant director for the Technical Services Center of the GFOA and has authored two books relating to governmental accounting. The workshop will cover various advanced governmental accounting topics.

35th ANNUAL DLA GOVERNMENT AUDIT WORKSHOP
Ramkota River Center Convention Center
Pierre, South Dakota
May 18, 19, and 20, 2009

May 18, 2009 Tentative Schedule: (All times are local times) (Breaks will be worked into the schedule at logical points.)

9:15 AM Workshop Registration

10:00 **Session Begins – Concurrent Breakout Sessions – Choose one**
Session 1 – Department of Education program updates – (Lake Sharpe)
Session 2 - DLA –Other Topics to be determined (Gallery E)
Session 3 (2 hours) - DLA - Tax Increment Financing Districts Accounting (Amphitheater)

11:00 **Session Resumes – Concurrent Breakout Sessions – Choose one of the four breakout sessions**
Session 1 – Department of Education program updates – (Lake Sharpe)
Session 2 - DLA –Other Topics to be determined (Gallery E)

Noon Lunch (Gallery A)

1:00 PM **Session Resumes – Mr. Greg Allison – Advanced Governmental Accounting Topics – Gallery B and C)** Mr. Allison is a Senior Lecturer in Public Finance and Government at the University of North Carolina School of Government. He is author of *A Preparer's Guide to Note Disclosures and Accounting Issues and Practices* and co-author of *Governmental and Nonprofit Accounting – Theory and Practice, 8th Edition*. He also served as finance director for the City of Morganton, North Carolina.

5:00 (approx.) Social hour – camaraderie, cash bar, and finger food

May 19, 2009

7:30 AM Breakfast

8:00 **Session Resumes – Advanced Governmental Accounting Topics "Continued" -Gallery B and C**

9:50 Break

10:10 **Session Resumes - Advanced Governmental Accounting Topics "Continued"**

11:50 Lunch

- 12:50 PM **Session Resumes - Advanced Governmental Accounting Topics "Continued"**
- 2:50 Break
- 3:10 **Session Resumes - Advanced Governmental Accounting Topics "Continued"**
- 5:00 (approx.) Evening adjournment
- 6:30 PM On-your-own evening activity possibilities:
 Capital Queen River tour – Steamboat Park Causeway – (fee)
 Bicycle/walking path from just south-west of the Ramkota Inn to Farm Island, also going west across the Missouri River Bridge, and then out to the Oahe Dam.
 Water slide and swim at the city indoor pool attached to the YMCA (small fee).
 Golf (green fees)

May 20, 2009 (Breaks will be worked into the schedule at logical points.)

- 7:30 AM Breakfast
- 8:00 **Session Resumes - Advanced Governmental Accounting Topics "Continued" Gallery B and C**
- 9:50 Break
- 10:10 **Session Resumes – Advanced Governmental Accounting Topics "Continued"**
- Noon Lunch
- 1:00 PM **Sessions Resume – Concurrent Breakout Sessions – Choose one of the four breakout sessions**
 Session 1 – Department of Education program updates – (Lake Sharpe)
 Session 2 - DLA –Other Topics to be determined (Gallery E)
 Session 3 (2 hours) - DLA - Tax Increment Financing Districts Accounting (Amphitheater)
- 2:00 **Sessions Resume – Concurrent Breakout Sessions – Choose one of the four breakout sessions**
 Session 1 – Department of Education program updates – (Lake Sharpe)
 Session 2 - DLA –Other Topics to be determined (Gallery E)
- 2:50 Adjourn

**2009 GOVERNMENTAL AUDIT WORKSHOP
REGISTRATION FORM**

List the names of the individuals who will be representing your firm at the 35th Annual Department of Legislative Audit Government Audit Workshop. Please type or print clearly. One name per line, please. You may duplicate this form as needed.

Fee
\$300 each

Name: _____

E-mail: _____

Name: _____

E-mail: _____

Name: _____

E-mail: _____

TOTAL _____

Name of Firm: _____

Firm's Address: _____

Please return this form along with a check for the proper fees, made payable to the Department of Legislative Audit. Fees for this year's workshop appear at the top of the column, above. A \$30.00 late registration fee, per registrant name, will be required on registrations received after May 1, 2009.

Send registrations to:

Department of Legislative Audit
427 South Chapelle Street
% 500 East Capitol Avenue
Pierre, SD 57501-5070

REFUND POLICY – If a person is unable to attend the conference, a substitute may be made without additional charge. Full refunds will be made if requests are received in the mail, e-mail or via the phone no later than noon, Thursday, May 14, 2009. Any cancellation or request for a refund received after noon on Thursday, May 14, 2009, will be charged \$100 to cover the guaranteed meal costs and printing of conference material. Any person who has paid a registration fee, but was unable to attend and did not send a substitute, may request that the conference handout material be mailed to him or her.

OTHER ITEMS – FINANCIAL STATEMENT MISSTATEMENTS

With the beginning of a new cycle of school district audits rapidly approaching, we want to pass on some information regarding a practice affecting school district financial statements that we believe to be prevalent. Prevalence was determined by reviewing instructions from the most common software provider to its clients pertaining to the “year-end fiscal process” for the “accrual” of liabilities for payrolls and for vendor claims.

The practice, which is described below, and its effects on the financial statements, is the first of three “Methods” described by the software vendor.

In a nutshell, Method 1 instructs the school accountant to enter June of the current fiscal year (06/yyyy) as the current processing month to run regular payrolls for the June, July and August pay cycles. The accountant is then instructed to “Complete the Calculate Payroll option as you normally do for a regular payroll using June as the Processing Month; then calculate the payroll, print the desired pre-check reports, **print the checks**, print the desired post-check reports, backup, update, and then repeat the steps until all the payroll cycles for June, July and August have been completed.”

After the July and August checks are printed, they are placed in a desk drawer, or other “secure” place, until the appropriate pay day arrives. In other words they are not “issued.” Unissued checks should not be listed as “outstanding checks” for bank reconciliation purposes, because they are not “issued and outstanding.”

This practice recognizes 100% of the payroll expense in the fiscal year’s business during which the employment contracts were fulfilled, but it also results in a credit to the Cash balance of the affected funds, and the omission of liabilities for Contracts Payable

The above process works “so well” for payroll, that a number of school districts are also applying the same concept to vendor payables, i.e., processing payments and writing checks at the end of June, but before the claims are approved for payment at the July school board meeting. These “unissued” or “held” checks get recorded as expenses, but also reduce the cash balance at year-end, resulting in an understatement of both assets and liabilities.

When the auditor is expressing an opinion on the “fairness of the financial statements,” adequacy of disclosure must be considered. AICPA *Codification of Statements on Auditing Standards*, AU § 431.02 states: “The presentation of financial statements in conformity with generally accepted accounting principles includes adequate disclosure of material matters. These matters relate to the form, arrangement, and content of the financial statements and their appended notes, including, for example, the terminology used, the amount of detail given, the classification of items in the statements, and the bases of amounts set forth. An independent auditor considers whether a particular matter should be disclosed in light of the circumstances and facts of which he is aware at the time.”

The practice of writing checks and holding them beyond year-end should be discouraged.

MISCELLANEOUS

This edition of **DLEnnouncements** is being distributed only via e-mail, and by posting to our web page: www.state.sd.us/legislativeaudit/home.htm.

The Independent Public Accountants area of our web page contains a section with information about local governments who are trying to find auditors. If you are interested in looking for potential new clients, check it out from time to time.